



## THE PRIORITY SCORING SYSTEM

### Business & Industry (B&I) Guaranteed Loan Program

#### How does the B&I priority scoring system work?

- Every B&I loan application is given a priority “score” by USDA which quantifies the rural benefits that USDA attributes to the project. (USDA wants to direct its B&I guaranteed loans to projects that will deliver the most benefit to the neediest areas.)
- Whenever B&I guaranteed funding authority is limited, loan applications compete for funding from nationwide pools. These competitions usually occur once a month.
- B&I guaranteed funds are awarded to applications based on their priority score, rather than on a “first-come, first-serve” basis. A low-scoring B&I project will always be passed over for a higher-scoring one, regardless of how long the low-scoring application has been awaiting funds.

#### How is a B&I application’s priority score determined?

- RD Instruction 4279-B, §4279.155 delineates the criteria for priority scoring as follows:

| B&I Priority Scoring Criteria                                    | Points     |
|--|------------|
| Community Where Project Is Located:                              |            |
| Population of ≤ 25,000.....                                      | 10         |
| With job deterioration, out-migration.....                       | 5          |
| That has remained persistently poor.....                         | 5          |
| That has experienced economic or natural disaster.....           | 5          |
| With an unemployment rate ≥ 125% of the State average.....       | 5          |
| Federal “EZ/EC” area (none currently in Oregon).....             | 10         |
| Federal “Champion Community” (none currently in Oregon).....     | 5          |
| B&I Deal Structure:  |            |
| Interest rate ≤ Prime + 1.5 (or equivalent).....                 | 5          |
| Interest rate ≤ Prime + 1.0 (or equivalent).....                 | 5 more     |
| B&I loan represents < 50% of the total project cost.....         | 5          |
| B&I guarantee requested is 10% below normal level -- e.g., 70%.. | 5          |
| Type of Business Assisted:                                       |            |
| ≥ 20% of sales are from exports.....                             | 5          |
| New industry to the area.....                                    | 5          |
| Products are high-value goods or services.....                   | 2          |
| Provides additional market for existing local businesses.....    | 3          |
| Locally owned business.....                                      | 3          |
| Value-added, natural resource-based business.....                | 2          |
| Average Wage Paid:   |            |
| ≥ 125% of Federal minimum wage (i.e., ≥ \$6.44/hr).....          | 5          |
| ≥ 150% of Federal minimum wage (i.e., ≥ \$7.73/hr).....          | 5 more     |
| State Director & RBS Administrator Administrative Points:        |            |
| Based on USDA mission & strategic goals (discretionary).....     | 20         |
| <b>Maximum Total Points =</b>                                    | <b>110</b> |

**How are priority points assigned?**

USDA determines the priority score. Nearly all of the factors are objective; only the State Director and RBS Administrator's Administrative Points are discretionary. Many factors are inherent in the project and can't be changed -- e.g., project location, business type. Some factors are in the lender's control -- e.g., interest rate, % guarantee requested.

**How can I know my project's priority score?**

USDA does a draft priority score as soon as a preapplication (with sufficient information) is received. USDA will share this information with you and discuss funding prospects.

**How many points does a project need to secure funding?**

If funds are not limited, there is no minimum required score. (Priority scores only become critical when funding is limited and only available on a competitive basis.) When funds are limited, higher scoring projects will always secure funding before lower ones. So, the higher the score, the better.

***Based on recent activity, any B&I project scoring less than 50 points may have difficulty competing for funds from a National pool.*** If a project scores less than 35 points, the applicant could experience delays in obtaining funding and, consequently, final approval.

**How can a project improve its chances of funding?**

Target B&I lending to projects that score well.

For example, a lender might choose to focus on projects that have the following features:

1. Projects located in high unemployment areas -- 5-10 points
2. Loans priced at Prime + 1 (of the equivalent) or less -- 10 points
3. Businesses that pay an average wage of \$7.73/hour or more -- 10 points

A project that meets these criteria will likely also get 10 Administrative Points -- totaling 40 points. Each lender will want to adopt a business development strategy that fits its needs and the B&I scoring system.

**How can I find out where targeted communities are located?**

USDA can provide you with a list of areas that will qualify for community priority points -- e.g., Enterprise Communities, Champion Communities, high unemployment communities, etc.